



United States Department of Agriculture

# 2008 Citizens' Report



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# United States Department of Agriculture Citizens' Report: Fiscal Year 2008 Summary of Performance and Financial Results

## Summary

The Citizens' Report highlights the *FY 2008 Performance and Accountability Report* (PAR), published on November 17, 2008 (<http://www.ocfo.usda.gov/usdarpt/usdarpt.htm>). Citizens interested in how the Department of Agriculture spends taxpayer money can either read the PAR or use the Citizens' Report as an overview of the Department's spending and performance. The Citizens' Report contains Web links to portions of the full PAR. Thus, it can also be used as a map to more detailed information. Readers of the Citizens' Report will gain a general idea of how USDA administers its programs and how much they cost.

The PAR is transmitted by a letter from U.S. Secretary of Agriculture Edward T. Schafer, which is available at [http://www.ocfo.usda.gov/usdarpt/pdf/002\\_2k8\\_USDA\\_PAR\\_SECRETARY\\_MESSAGE.pdf](http://www.ocfo.usda.gov/usdarpt/pdf/002_2k8_USDA_PAR_SECRETARY_MESSAGE.pdf).

## Contents

The Citizens' Report starts with a two-page *Budget, Performance and Financial Snapshot*, which presents USDA's activities in their briefest form. Following the snapshot is a description of how USDA manages its programs.

The next section describes management issues that the USDA Inspector General says should be addressed. The Office of Inspector General (OIG) is an independent office within USDA that acts as a self-policing mechanism. OIG was created by statute and cannot be influenced by other entities within USDA.

The following section details USDA's work on the President's Management Agenda (PMA). PMA is designed to improve the management of the Federal Government. It focuses on key management initiatives across the Government.

The Financial Statement Highlights and Performance Section follow the PMA section. The latter reports on performance within the framework of the Department's strategic goals as outlined in its *Strategic Plan for FY 2005-2010*. See the Strategic Plan at <http://www.ocfo.usda.gov/usdasp/usdasp.htm>.

USDA's six strategic goals are broken down into objectives and performance measures. The performance measures track data over several fiscal years to show progress on important USDA programs. These measures are the heart of USDA's performance reporting. They are featured in all of its performance reports. One measure from each strategic goal is represented in the Snapshot. These measures, including additional representative measures from each strategic goal, appear in the Performance Section of this Citizens' Report. The three-digit numbers next to the performance measures indicate their placement in the PAR by goal, objective and measure. All measures are analyzed in the full PAR. Citizens should note that, while performance measures do not reflect all of USDA's activity, they present a representative sample.



## Message from the Secretary

In fulfillment of responsibilities to the President, Congress, and the people of the United States, I transmitted the 2008 Performance and Accountability Report (PAR) of the U.S. Department of Agriculture (USDA) to the public last November. This Citizens' Report provides selected highlights from the PAR with links to appropriate sections of the PAR, and may be used as a map or a summary of the larger report.

USDA works hard to pursue its mission to provide leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management. In fiscal year (FY) 2008, to support this mission, USDA's diverse workforce of more than 100,000 employees served as stewards of more than \$172.7 billion in budget authority to:



- Meet the needs of farmers and ranchers, promoting use of state-of-the-art agricultural research and technology and ensuring that the domestic agricultural sector continues to grow and remain competitive;
- Expand economic opportunities in international markets for farmers, ranchers, and rural communities—realizing a record \$114.06 billion in U.S. agricultural exports in FY 2008;
- Use the best available science and technology to protect the safety of the Nation's food supply;
- Facilitate access to a healthy diet for needy Americans, providing \$34.0 billion in food stamp benefits;
- Prevent and fight devastating wildfires as well as restore fire-ravaged land;
- Modernize the nutrition guidance USDA provides the Nation to reflect the latest scientific information and combat our country's obesity epidemic;
- Develop renewable energy and demonstrate how biofuels help keep gas prices down, reduce America's dependence on oil, and reduce greenhouse gas emissions;
- Eradicate and control invasive pests and prevent pest infestations;
- Prevent introduction and fight animal diseases;
- Implement mandatory country-of-origin labeling;
- Continue to improve and expand soil, water, and other natural resource conservation programs;
- Work closely with the Federal Emergency Management Agency to assist in clean-up efforts following a devastating hurricane season;
- Invest in infrastructure that will bring new economic opportunities and jobs to rural areas;
- Build a quality public health infrastructure with data that are readily accessible to key decision-makers and front-line personnel; and
- Conduct real-time surveillance of high-risk shipments of meat, poultry, and egg products coming into the United States as well as vulnerability assessments focused on imports with the Food and Drug Administration, and the Department of Homeland Security's U.S. Customs and Border Protection.

Agriculture holds answers to some of the most pressing problems faced by our Nation and world—from meeting needs for renewable energy, to increasing crop yields to fight hunger, to protecting the food supply to improving our environment and optimizing international trade. I hope that this report will provide you with an enhanced appreciation of USDA's role in this dynamic industry as well as a deeper understanding of agriculture's critically important role throughout America and around the world.

Edward T. Schafer  
Secretary  
January 15, 2009



# Department of Agriculture

## Budget, Performance and Financial Snapshot Fiscal Year 2008

### Who We Are

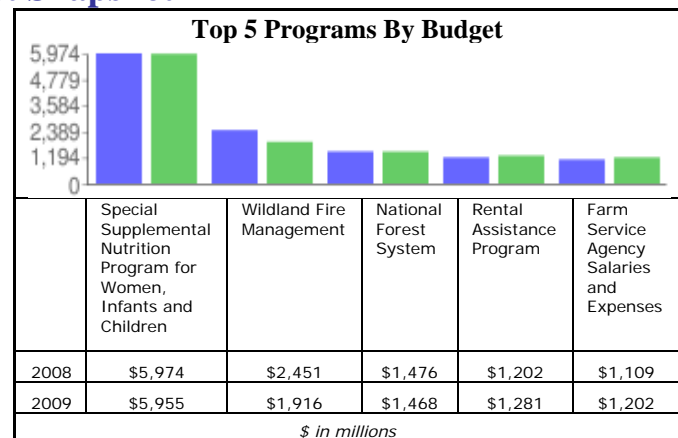
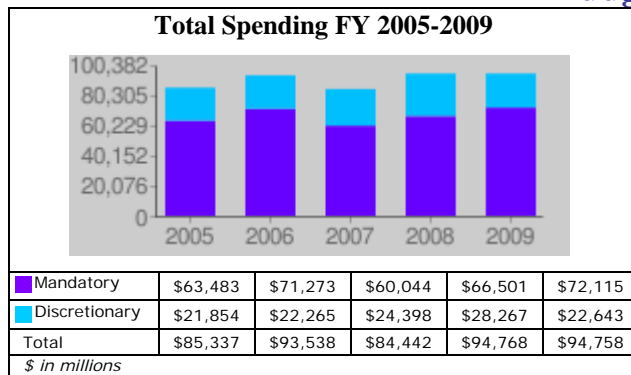
**Mission:** The Department of Agriculture (USDA) provides leadership on food, agriculture, natural resources, quality of life in rural America and related issues. The USDA Strategic Plan can be found at <http://www.ocfo.usda.gov/usdasp/sp2005/sp2005.pdf>.

**Organization:** USDA is organized by mission areas comprised of agencies and Departmental Offices. Mission areas include Natural Resources and Environment (NRE), Farm and Foreign Agricultural Services (FFAS), Rural Development (RD), Food, Nutrition and Consumer Services (FNCS), Food Safety, Research, Education and Economics (REE), and Marketing and Regulatory Programs (MRP). Internet link to Agencies and Offices: [http://www.usda.gov/wps/portal/!ut/p/s.7.0.A/7.0.10B?navid=AGENCIES\\_OFFICES\\_C&parentnav=AGENCIES\\_OFFICES&navtype=RT](http://www.usda.gov/wps/portal/!ut/p/s.7.0.A/7.0.10B?navid=AGENCIES_OFFICES_C&parentnav=AGENCIES_OFFICES&navtype=RT).

**Personnel:** USDA's diverse workforce operates in all 50 States and around the world. These 104,000 employees work to protect public health and our food, ensure a plentiful and nutritious food supply, encourage science-based stewardship of our natural resources, and administer programs that promote both agriculture and the quality of life in rural America.

**Budgetary Resources:** USDA receives most of its funding from appropriations authorized by Congress and administered by the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, spending authority from offsetting collections and other budgetary resources. Total budgetary resources were \$172.7 billion for FY 2008, compared to \$161.9 billion in FY 2007.

### Budget Snapshot



### Performance Snapshot

**Accomplishments:** In FY 2008 USDA used more than \$172.7 billion in budgetary resources to, among other things, expand economic opportunities in international markets, realizing a record \$114.06 billion in U.S. agricultural exports; facilitate access to a healthy diet for needy Americans, providing \$34.0 billion in food stamp benefits; prevent and fight devastating wildfires as well as restore fire-ravaged land; develop renewable energy and demonstrate how biofuels help keep gas prices down, reduce America's dependence on oil, and reduce greenhouse gas emissions; and invest in infrastructure that will bring new economic opportunities and jobs to rural areas.

**Challenges:** USDA's Office of Inspector General identified the following 8 management challenges: 1) Interagency Communications, Coordination, and Program Integration Need Improvement; 2) Implementation of Strong, Integrated Internal Control Systems Still Needed; 3) Continuing Improvements Needed in Information Technology (IT) Security; 4) Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained; 5) USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge; 6) Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires; 7) Improved Controls Needed for Food Safety Inspection Systems; and 8) Implementation of Renewable Energy Programs at USDA.

### Financial Snapshot

Clean Opinion on Financial Statements*			Yes
Timely Financial Reporting	Yes	Material Weaknesses	3
Improper Payment Rate <sup>1</sup>	6.1	Total Assets	\$160,373
Total Liabilities	\$120,972	Net Cost of Operations	\$96,733

\$ in millions

**Footnote:** A detailed discussion of this USDA Snapshot may be found in the USDA Performance and Accountability Report: <http://www.ocfo.usda.gov/usdarp/pdf/par2008.pdf>. Further discussion of the USDA budget may be found at: <http://www.obpa.usda.gov/budsum/fy09budsum.pdf>. The budget by goal excludes receipts of \$5.103 billion for FY 2008.

\*A Clean Opinion of on USDA's Financial Statements shows that the Department properly presents its results of operations and balances.

<sup>1</sup> Percent of Program Payments

# Summary of Department of Agriculture Ratings for Fiscal Year 2008

## FY 2008 Performance Results per Strategic Goal

■ Met/Exceeded ■ Not met but improved over prior years  
■ Not met target ■ Data not yet available

## Budget per Strategic Goal (\$ in millions)

### Strategic Goal 1: Enhance International Competitiveness of American Agriculture

Expanding global markets for agricultural products is critical for the long-term economic health and prosperity of our food and agricultural sector.



2008 Actual = \$1,697

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Value of trade preserved annually through USDA staff interventions leading to resolutions of barriers created by Sanitary and Phytosanitary (SPS) or Technical Barrier to Trade (TBT) measures. (\$ Millions)	2600	2457	2000	7316	3100

### Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies

USDA offers farm related programs designed to enhance the economic opportunities for all agricultural producers.



2008 Actual = \$20,650

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Increase the normalized value of risk protection provided to agriculture producers through FCIC-sponsored insurance (\$ Billions)	48.7	50.7	50.7	51.0	54.8

### Strategic Goal 3: Support Increased Economic Opportunities and Improved Quality of Life In Rural America

The Department strives to ensure that rural residents have equal opportunity to share in the Nation's prosperity and technological advancement.



2008 Actual = \$3,962

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Jobs Created or Saved	71,715	72,710	72,373	70,476	37,743

### Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply

USDA ensures that the Nation's meat, poultry and egg products are safe, wholesome and labeled accurately. USDA also protects the Nation's agricultural system from pests and disease outbreaks, minimizes production losses, maintains market viability and promotes responsible environmental stewardship.



2008 Actual = \$2,710

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Reduce the overall public exposure to <i>Listeria Monocytogenes</i> in ready-to-eat products	0.24%	0.28%	0.27%	0.19%	0.28%

### Strategic Goal 5: Improve the Nation's Nutrition and Health

USDA promotes America's health through food assistance for low-income people, nutrition education, and guidance and promotion for the general public and targeted groups. The Department motivates Americans to use this information to improve their diets and physical activity patterns.



2008 Actual = \$59,839

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Participation level in the Food Stamp program (monthly)	26.7	26.5	27.8	28.1	28.0

### Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment

USDA is the steward of 192.5 million acres of National Forests and Grasslands. USDA also provides high-quality, science-based, and site-specific technical assistance to enable good stewardship on the 1.5 billion acres of non-Federal lands in the U.S.



2008 Actual = \$11,013

Performance Measure(s)*	2006 Results	2007 Results	2008 Target	2008 Results	2009 Target
Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (millions of acres, cumulative)	1.86	1.95	1.92	2.02	1.94

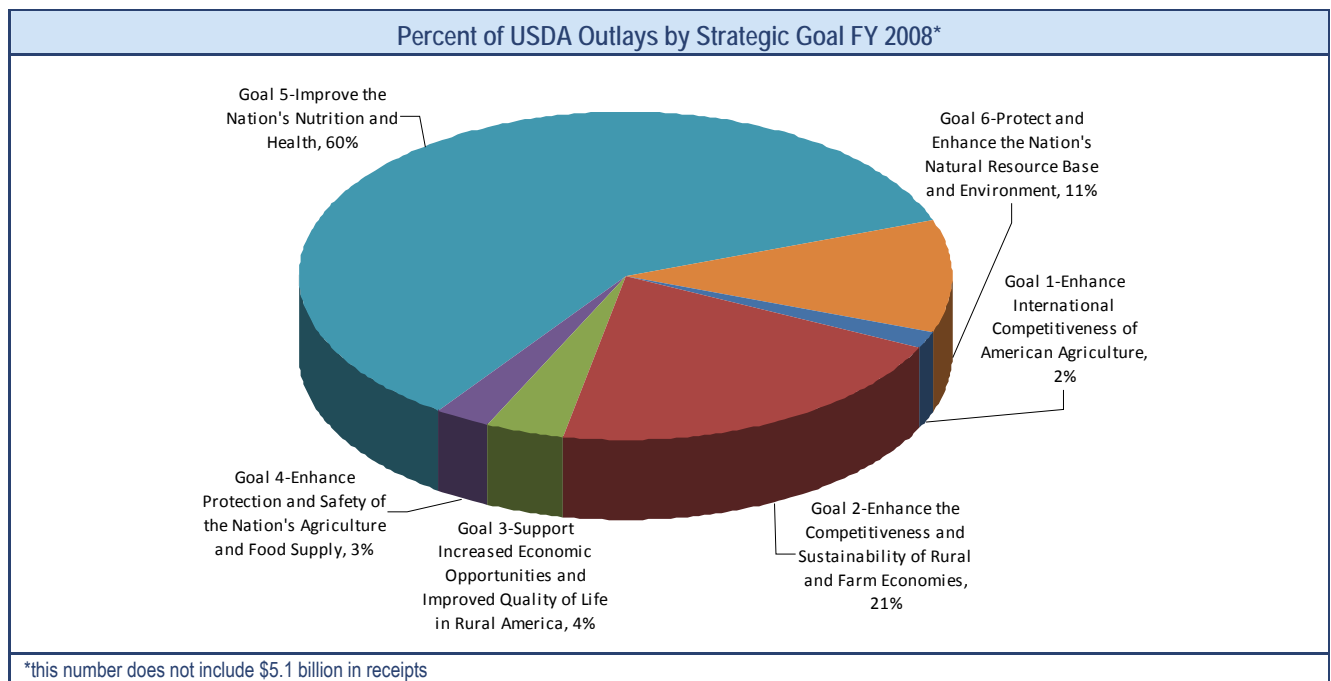
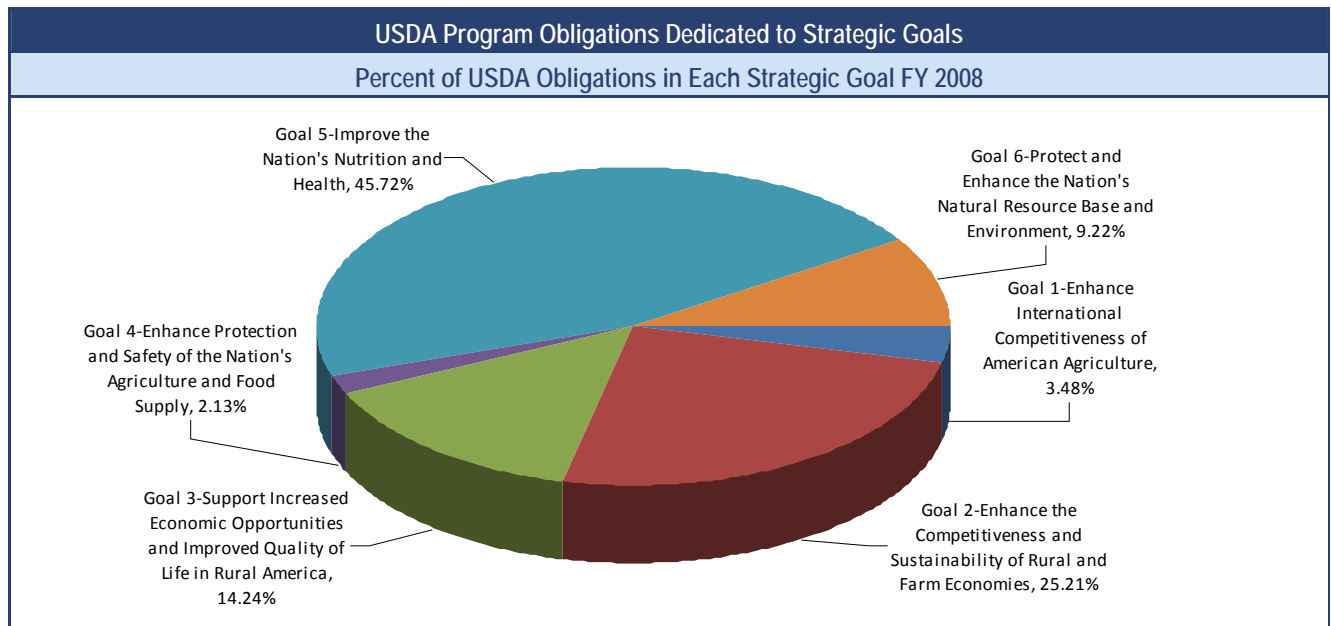
\* This measure was selected from a number of performance measures aimed at the specific strategic goal

## MONETARY RESOURCES

Congressional appropriations are the primary funding source for USDA's operations. It also receives revenue through fees and other income from Departmental programs and services.

In FY 2008, commitment of Government funds, or program obligations, totaled \$137.7 billion, an increase of \$9.8 billion compared to FY 2007.

In FY 2008, outlays, which are disbursements from the Federal Treasury to satisfy obligations, were \$99.8 billion, an increase of \$15.4 billion compared to FY 2007. A detailed discussion of the FY 2008 outlays may be found in the *FY 2008 Budget Summary and Annual Performance Plan* at: <http://www.obpa.usda.gov/budsum/fy08budsum.pdf>.



## TOWARD BETTER MANAGEMENT

OIG prepares an annual report on the most significant management challenges within the Department. These challenges have been identified as potential issues that could hamper the delivery of programs and services. OIG



works with USDA management to identify challenges and determine how to solve them. Previous challenges are tracked year-by-year until they are resolved. USDA agencies provide periodic updates on the progress in addressing the issues raised by OIG.

FY 2008 management challenges are listed below:

1) Interagency Communications, Coordination, and Program Integration Need Improvement.
2) Implementation of Strong, Integrated Internal Control Systems Still Needed.
3) Continuing Improvements Needed in Information Technology (IT) Security.
4) Departmental Efforts and Initiatives in Homeland Security Need to be Maintained.
5) Material Weaknesses Continue to Persist in Civil Rights Control Structure and Environment.
6) USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge.
7) Better Forest Service Management and Community Action Needed to Improve the Health of the National Forests and Reduce the Cost of Fighting Fires.
8) Improved Controls Needed for Food Safety Inspection Systems.
9) Implementation of Renewable Energy Programs at USDA

USDA is responding positively to all of these challenges. A detailed description of all nine Management challenges and USDA's accomplishments and planned actions to address these challenges can be found starting on page 10 at [http://www.ocfo.usda.gov/usdarpt/pdf/004\\_2k8\\_USDA\\_PAR\\_MD&A.pdf](http://www.ocfo.usda.gov/usdarpt/pdf/004_2k8_USDA_PAR_MD&A.pdf).

Specific financial management problems of a certain magnitude are classified as "material deficiencies." Such a deficiency can be either a "material weakness," which is more serious, or a "material nonconformance." Internal Departmental regulations set strict guidelines on how such deficiencies are determined and how they must be addressed. Financial staff at USDA take all reasonable actions to correct the material weaknesses and material nonconformances. OIG reviews and amends them yearly. They are reported in detail in the PAR, starting on page 34 of the above link. USDA consolidated one material weakness from the four it reported in 2007. The material weaknesses are in the areas of information technology, financial reporting/unliquidated obligations, and financial reporting/credit reform. All three material weaknesses reported in 2008 should be resolved in FY 2009. USDA reported a system non-conformance in funds control management that should be resolved by FY 2012. Thus, there were four material deficiencies in sum. All are being rigorously addressed. A table showing accomplishments and planned actions can be found in the linked section.

OIG also audits USDA's programs, systems, and operations. Department management and OIG work together to determine the proper action on audit recommendations. Corrective action plans are implemented to address issues uncovered during audits. USDA management's report on its audit follow-up can be found at the link in the previous paragraph, starting on page 40.

The Secretary of Agriculture is required by law to make a "Statement of Assurance" about USDA's financial management and accountability. The Department must establish and maintain effective management control, financial management systems, and internal control over financial reporting that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). USDA provides a qualified statement of assurance, which can be found on page 34 at [http://www.ocfo.usda.gov/usdarpt/pdf/004\\_2k8\\_USDA\\_PAR\\_MD&A.pdf](http://www.ocfo.usda.gov/usdarpt/pdf/004_2k8_USDA_PAR_MD&A.pdf). In the same section, citizens can find the full FMFIA Report on Management Control, which includes evaluations of internal control and financial management systems. They also can find the FFMIA Report on Financial Management Systems, which reports on financial and program managers' accountability.



















### **President's Management Agenda (PMA)**

USDA works to strengthen its focus on results through PMA. This agenda focuses on management improvements. It is designed to improve customer service and provide more effective stewardship of taxpayer funds.



PMA calls for the U.S. Office of Management and Budget (OMB) to score departments on each initiative. Green indicates success, yellow indicates mixed results, and red indicates an unsatisfactory score. There are two scores awarded. “Status” indicates that a department is meeting the standards established for success. “Progress” indicates that it is progressing adequately in meeting established deliverables and timelines. The arrows next to the scores indicate whether the score has improved (↑), declined (↓), or remained the same (↔) compared to FY 2007. A brief table showing USDA’s PMA status and progress appears below. The full PMA report can be found beginning on page 18 at [http://www.ocfo.usda.gov/usdarpt/pdf/004\\_2k8\\_USDA\\_PAR\\_MD&A.pdf](http://www.ocfo.usda.gov/usdarpt/pdf/004_2k8_USDA_PAR_MD&A.pdf).

See the Government-wide PMA scorecard at <http://www.whitehouse.gov/results/agenda/index.html>.

Initiative	Status	Progress	FY 2008 Accomplishments
Human Capital	 ↔	 ↔	USDA has achieved some of the best hiring timelines Government wide. General Schedule (GS) position employment offers are made within 25 days, on average. Offers for Senior Executives average 28 days. The GS timeframe is less than the 45-day metric established by the Office of Personnel Management and the senior executive timeframe is consistently the best in Government.
Commercial Services Management	 ↔	 ↔	In addition to standard commercial services studies, USDA employs such other tools as business process reengineering, Lean Six Sigma, and High Performance Organizations. This work is designed to continue simplifying and improving the procedures for evaluating operations and resources.
Financial Performance	 ↔	 ↔	A new module of the Management Initiative Tracking System (MITS) was developed to integrate audit tracking processes. The Financial Management Modernization Initiative targets the replacement of legacy financial and program ledgers used in the Department’s programs. It will eliminate the need to operate and maintain many of USDA’s legacy feeder systems. The initiative would also make the financial statements data warehouse obsolete.
Expanding E-Government	 ↓	 ↔	USDA grant-making agencies posted 125 funding opportunities and received 7,704 electronic applications via Grants.gov. The Department continues to offer the option of applying electronically to all of its posted discretionary grants and cooperative agreements. USDA’s grant-making agencies collaborate across the Government to simplify application processes, improve timely reporting, enhance service delivery, and allow greater coordination among service providers. The Department adopted a cyber security awareness training course, avoiding significant costs by modifying, rather than developing, a new course in order to meet Federal standards.
Performance Improvement Initiative	 ↔	 ↔	USDA conducted seven PART assessments in conjunction with OMB. Less than three percent of funding for USDA programs have PART ratings of “Results Not Demonstrated.” No USDA programs scored an “Ineffective” rating.
Real Property	 ↑	 ↔	USDA developed several processes involving its real property. They include a methodology for prioritizing assets for maintenance and processes for performing condition assessments and completing Facility Master Plans as the basis for multi-year planning. USDA also assembled Department-wide multi-year consolidated estimated capital requirements, and guidance and procedures for allocating funding between capital improvement, maintenance and repair, and disposal activities. USDA updated the list of assets for disposition and made an investment prioritization list for mission critical and dependent assets.
Eliminate Improper Payments	 ↑	 ↔	USDA exceeded its recovery target of \$68 million by recovering \$138 million in improper payments. The Department also developed corrective actions and reduction targets where appropriate for all high risk programs.
Improved Credit Program Management	 ↔	 ↑	USDA continues to be a Federal Government leader in referring nearly all eligible delinquent debt to the U.S. Department of Treasury for collection. USDA referred 99.7 percent of the eligible \$1.2 billion to Treasury for collection. USDA also established Administrative Wage Garnishment, an optional collection tool under the Debt Collection Improvement Act.
Faith-Based And Community Initiative	 ↔	 ↔	USDA conducted 3,065 outreach and technical assistance activities to strengthen the ability of faith-based and community organizations to serve those in need. The Department also developed toolkits and Web-based resources for State and local program administrators to expand partnerships with faith-based and community organizations.

## FINANCIAL STATEMENT HIGHLIGHTS

This section highlights USDA's Department-wide financial statements. The complete statements can be found in the PAR in *Section 3: Financial Statements, Notes, Supplemental and Other Accompanying Information* at [http://www.ocfo.usda.gov/usdarpt/pdf/006\\_2k8\\_USDA\\_PAR\\_Financial\\_Statements.pdf](http://www.ocfo.usda.gov/usdarpt/pdf/006_2k8_USDA_PAR_Financial_Statements.pdf).

### Budgetary Resources

USDA receives most of its funding from appropriations authorized by Congress and administered by the U.S. Department of the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, spending authority from offsetting collections and other budgetary resources. Total budgetary resources were \$172.7 billion for FY 2008 compared to \$161.9 billion in FY 2007, an increase of \$10.8 billion.

The unobligated balance brought forward including recoveries of prior year unpaid obligations increased \$8.7 billion. Budget authority net of transfers and resources temporarily not available decreased \$15.9 billion. Budgetary resources permanently not available increased \$18.1 billion. The budget authority decrease occurred primarily due to less appropriations of \$5.8 billion and less borrowing authority of \$8.5 billion.

	2008	2007	% Change
Total Budgetary Resources	\$172,749	\$161,918	7%
Obligations Incurred	\$139,357	\$128,954	8%
Net Outlays	\$96,182	\$89,950	7%

Data in millions

delivery costs and underwriting gains. These figures are offset by a \$4.2 billion decrease at CCC due to favorable market conditions for commodities.

Net Outlays increased \$6.2 billion in FY 2008, primarily in relation to the increase in obligations described above.

### Obligations Incurred And Net Outlays

Obligations Incurred increased \$10.4 billion in FY 2008. This increase is primarily due to a \$6 billion increase at FNS for food stamps and other programs; a \$2.7 billion increase at RD for credit programs; a \$2 billion increase at FSA for disaster payments and a \$1.7 billion increase at RMA for insurance

## CONDENSED BALANCE SHEET

As of September 30, 2008 and 2007 (in millions)	FY 2008	FY 2007	% CHANGE
Fund Balance with Treasury	\$64,595	\$47,340	36%
Accounts Receivable, Net	10,298	9,218	12%
Direct Loan and Loan Guarantees, Net	81,774	80,348	2%
General Property, Plant and Equipment, Net	2,973	4,931	-40%
Other	733	651	13%
<b>Total Assets</b>	<b>160,373</b>	<b>142,488</b>	<b>13%</b>
Debt	77,577	75,101	3%
Loan Guarantee Liability	1,333	1,258	6%
Benefits Due and Payable	2,764	2,854	-3%
Other	39,298	35,568	10%
<b>Total Liabilities</b>	<b>120,972</b>	<b>114,781</b>	<b>5%</b>
Unexpended Appropriations	30,783	30,937	0%
Cumulative Results of Operations	8,618	-3,230	-367%
<b>Total Net Position</b>	<b>39,401</b>	<b>27,707</b>	<b>42%</b>
<b>Total Liabilities and Net Position</b>	<b>\$160,373</b>	<b>\$142,488</b>	<b>13%</b>

## Total Assets

Total assets increased \$17.9 billion in FY 2008. This increase is primarily due to an increase in Fund Balance with Treasury for 30 percent of customs duties at AMS of \$14.9 billion. It also is related to an increase in accounts receivable at RMA of \$1.2 billion for premiums due as a result of higher commodity prices and the write-off of \$2 billion in road prism costs at the FS.

Direct Loan and Loan Guarantees, Net, is the single largest asset on the USDA Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These represent 85 percent of the total USDA loan programs. Loan programs administered by FSA represent 8 percent of the total. FSA provides support to farmers who are temporarily unable to obtain private commercial credit. The remaining 7 percent represents commodity loans and credit programs administered by the Commodity Credit Corporation (CCC). CCC loan and credit programs improve economic stability, provide an adequate supply of agricultural commodities, expand international markets and provide domestic low-cost financing to producers.

## Total Liabilities

Total liabilities increased \$6.2 billion in FY 2008. This increase is primarily due to a \$2.5 billion increase in debt and a \$2.9 billion increase at RMA for estimated underwriting gains and indemnities.

Debt represents amounts owed to Treasury primarily by CCC and RD. For CCC, the debt primarily represents financing to support Direct and Counter Cyclical, Crop Disaster and Loan Deficiency payment programs. For RD, the debt primarily represents financing to support Single- and Multi-Family Housing loan programs.

## Total Net Position

Total net position increased \$11.7 billion in FY 2008. This increase is primarily due to an increase in cumulative results of operations at AMS of \$13.6 billion for 30 percent of customs duties. It also is attributed to a decrease of \$2 billion at the FS for road prisms. Both figures are considered changes in accounting principles.

## NET COST OF OPERATIONS

### CONDENSED STATEMENT OF NET COST

For the Years Ended September 30, 2008 and 2007 (in millions)	FY 2008	FY 2007	% CHANGE
Goal 1: Enhance International Competitiveness of American Agriculture	\$2,029	\$1,484	37%
Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies	17,159	15,099	14%
Goal 3: Support Increased Economic Opportunities and Improved Quality of Life in Rural America	3,879	2,202	76%
Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply	2,439	2,509	-3%
Goal 5: Improve the Nation's Nutrition and Health	60,132	53,948	11%
Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment	11,095	11,079	0%
Net Cost of Operations	\$96,733	\$86,321	12%

Net cost of operations increased \$10.4 billion in FY 2008. This increase is primarily due to increased participation and higher food costs in the food stamp and other FNS programs of \$6 billion. It also is attributed to less revenue earned at CCC of \$3 billion because of favorable market conditions for commodities and a \$1 billion increase at RD for credit programs.



# Citizens' Report Performance Section

The Department of Agriculture's (USDA) mission is to provide leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management. The Department executed this mission in fiscal year (FY) 2008 through such activities as:

- Completing new free trade agreements, opening new international markets and maintaining existing markets;
- Meeting with experts from around the globe to discuss current and emerging economic opportunities;
- Providing farmers and ranchers with risk management and financial tools;
- Expanding economic opportunities by improving the quality of life through financing housing, utilities, and community facilities in rural areas;
- Ensuring the safety and protection of the Nation's food supply;
- Helping millions of low-income households and most of America's children improve their health and diets via targeted nutrition assistance programs;
- Fostering better nutrition and health with dietary guidance and promotion;
- Fighting potential pest and disease outbreaks;
- Working to ensure the health and protection of the environment; and
- Providing aid to those affected by severe weather and other disasters.

## Strategic Goal 1: Enhance International Competitiveness of American Agriculture

### EXPAND AND MAINTAIN INTERNATIONAL EXPORT OPPORTUNITIES

Performance Measure	2006	2007	2008 Target	2008 Actual	2009 Target
1.1.1 Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement (Non-Sanitary and Phytosanitary) (\$ Mil) Baseline: 1999 = \$2,567	\$14	\$670	\$900 Met	\$484	\$900

The Department works closely with the Office of the U.S. Trade Representative (USTR) to negotiate new trade agreements to expand access to global markets for U.S. agriculture. The largest multilateral negotiation, under the auspices of the World Trade Organization (WTO), is the Doha Development Agenda. USDA has led negotiations on the agricultural portions of the agreement. The Department played an integral role in the July 21-29, 2008, WTO Ministerial meeting in Geneva aimed at reaching a final agreement on this agenda. While these meetings resulted in an impasse, primarily over the Special Safeguard Mechanism for sensitive agricultural products, Foreign Agricultural Service officials continue to work to advance a convergence of proposals at the technical level.

To further expand global trade, U.S. officials negotiated bilateral accession agreements with countries seeking WTO membership. In 2008, USDA played a critical role in negotiating such agreements with Russia, Kazakhstan, and several other countries. The Department also helped Ukraine join the WTO in May 2008. The move opened the country to American imports, notably poultry, beef, and pork. Estimates indicate that annual beef and pork exports to Ukraine could reach \$120 million.



USDA also works to expand U.S. agricultural export opportunities by supporting regional and bilateral free trade agreements. The Department continues to negotiate the Malaysia Free Trade Agreement. USDA is awaiting congressional approval of free trade agreements with Colombia, Panama, and Korea. It is also monitoring final implementation of the Peru and Costa Rica free trade agreements.

The Department oversaw the full implementation of the final provisions of the North American Free Trade Agreement between Canada, Mexico, and the U.S. USDA's work lifted the final trade restrictions on a handful of agricultural commodities, notably U.S. exports of corn, dry edible beans, nonfat dry milk, and high fructose corn syrup.

The Department is also monitoring and taking action with respect to more than 500 trade barriers relating to established trade agreements. Some barriers are being addressed through the WTO dispute-settlement process. Others are being addressed bilaterally. Working closely with USTR, USDA successfully re-established a tariff rate quota (TRQ) for poultry and pork trade with the Philippines in 2008. A TRQ provides an opportunity for exporting a limited quantity of products with little or no tariffs.

## Analysis of Results

USDA failed to meet its overall targeted level of performance for this goal. The July collapse of the Doha Round of WTO negotiations and delays in congressional approval of already negotiated free trade agreements were significant factors. Though USDA cannot control such externalities, in FY 2009, the Department will continue to seek approval of pending agreements. Extensively monitoring and enforcing existing trade agreements, which USDA can influence more effectively, will help the Department reach its 2009 targets.

### IMPROVED SANITARY AND PHYTOSANITARY (SPS) SYSTEM TO FACILITATE AGRICULTURAL TRADE

Snapshot Performance Measure		2006	2007	2008 Target	2008 Actual	2009 Target
1.3.1	Value of trade preserved annually through USDA staff interventions leading to resolutions of barriers created by SPS or Technical Barrier to Trade (TBT) measures. (\$ Million).	\$2,600	\$2,457	\$2,000 Exceeded	\$7,316	\$2,000

Sanitary and Phytosanitary (SPS) measures are those imposed by Governments to protect human, animal, and plant health from pests, diseases, and contaminants. USDA works closely with USTR and other agencies to pursue and enforce trade agreements. The work ensures that technical regulations and measures are designed to enhance food safety and protect plant and animal health. It also is designed to prevent unjustified trade barriers. Department staff working on such issues in more than 90 countries includes veterinarians, economists, marketing experts, plant pathologists, and others.

The largest single technical trade issue was the normalization of beef trade after market closures caused by findings of *Bovine Spongiform Encephalopathy (BSE)* in the U.S., beginning in 2003. *BSE* is a chronic degenerative disease that affects the central nervous system of cattle. The 2007 classification of the United States as "controlled risk" for *BSE* by the World Organization for Animal Health (OIE) Scientific Commission affects U.S. efforts to regain market access. An OIE consistent agreement was reached with South Korea, which should restore access to an \$800 million market. Additionally, the Philippines fully complied with OIE standards on beef, allowing complete market access for U.S. beef and beef products of all ages. Under this new agreement, USDA estimates that U.S. beef exports to the Philippines could double to more than \$12 million annually. Egypt also removed its restrictions. This move could expand U.S. exports there by \$40 million. Discussions on beef continue with Japan, China, and Taiwan. Expanding access to the Japanese beef market remains a priority. Key trading partners remain resistant to establishing science-based import requirements based upon OIE standards due to political and social factors.

The Department addressed other SPS and TBT issues in 2008. Notably, USDA helped persuade Korea to implement its requirements for living modified organisms in a less restrictive manner. This move preserved U.S. corn and soybean trade, which is valued at \$1 billion annually. Also of note were successful efforts to eliminate China's requirement for testing biotech seeds that could have affected all U.S. soybean exports there. USDA earned Taiwan's approval of Agrisure corn, which made uninterrupted exports of U.S. corn to Taiwan possible. The Department also gained the European Union's (EU) approval of four biotech corn products. This agreement restarted U.S. corn gluten feed exports to the EU. Meanwhile, workshops conducted by USDA for parties to the

Cartagena Protocol on Biosafety helped prevent the adoption of liability and redress provisions. Adoption would have imposed major financial risks on agricultural suppliers.

The EU also lifted destination testing of U.S. long grain rice for the presence of a genetically engineered trait. This move restarted U.S. rice exports to the EU. USDA negotiations with Chile and El Salvador resulted in the opening of those markets to U.S. poultry. In response to U.S. objections raised at a WTO SPS Committee meeting, Malaysia dropped a requirement that would have imposed a \$27,000-per-plant inspection fee on international meat and poultry plants. The fee would have halted U.S. meat and poultry exports.

## Analysis of Results

USDA's selection of this performance measure reflects the growing importance of addressing unjustified SPS barriers to maintain or expand trade. As the U.S. Government continues to negotiate new bilateral, regional, and multilateral trade agreements, the challenge will be to monitor and enforce compliance with both trade and technical commitments. This monitoring will ensure that U.S. agriculture receives full benefits from negotiated reductions in tariff rates by preventing needless SPS and technical trade barriers.

## Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies

### INCREASE THE EFFICIENCY OF DOMESTIC AGRICULTURAL PRODUCTION AND MARKETING SYSTEMS

Performance Measure		2006	2007	2008 Target	2008 Actual	2009 Target
2.2.2	Percent of market-identified quality attributes for which USDA has provided standardization	94%	95.7%	97% Exceeded	98%	98%

USDA facilitates the marketing of agricultural products in domestic and international markets. The Department's programs enhance the marketing and distribution of agricultural products, benefiting producers, traders, and consumers of U.S. food and fiber products. Activities include:

- Monitoring egg handling operations;
- Developing commodity grade standards;
- Protecting producers from unfair marketing practices;
- Disseminating market information;
- Implementing and monitoring the Country of Origin Labeling (COOL) Program;
- Purchasing specialty crops, meats, fish, and poultry products that are provided to USDA nutrition assistance programs;
- Sampling and testing commodities for pesticide residues and pathogens;
- Verifying pesticide recordkeeping;
- Providing grading, certification, and audit verification services to confirm marketing claims.
- Developing organic standards and managing the National Organic Program (NOP); and
- Conducting research, providing technical assistance, and establishing grants aimed at improving efficiency of food marketing and distribution.

USDA improves market competitiveness and increases the efficiency of agricultural marketing systems through its *Market News* program. *Market News* gathers and publishes price and other market data on specific agricultural commodities. This timely, accurate, and unbiased market information covers local, regional, national, and international markets.

NOP develops, implements and administers national production, handling and labeling standards for organic agricultural products. It also accredits the certifying agents (domestic and international) who inspect organic production and handling operations to certify that they meet USDA standards. Through these regulatory activities, consumers may be assured that organically produced products meet a consistent standard. The activities also show that the market can conduct commerce in fresh and processed food produced organically. The program provides the infrastructure needed for an efficient and competitive system for the marketing of organic agricultural products.

NOP worked closely with the National Organic Standards Board (NOSB) and the rapidly expanding organic agriculture industry to strengthen operations and communication. Both NOP and NOSB looked to refine the

definitions and requirements for organic production and labeling.

Since 2006, many States have used specialty crop block grants funding for marketing programs to enhance the competitiveness of these commodities. Some of these specialty crop programs promote State-grown products. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture). All 50 States, the District of Columbia and the Commonwealth of Puerto Rico are eligible to participate.

Mandatory COOL labeling began in 2008 for beef and veal, lamb, pork, fish, chicken, goat, macadamia nuts, pecans, ginseng, perishable agricultural commodities, and peanuts. The program includes activities related to quality assurance, regulations, protocols, general administration, and program management. The 2008 Farm Bill amended COOL to require retailers to notify their customers of the country of origin of an expanded list of food products. The Farm Bill also added provisions for labeling products of multiple origin and specifications for international compliance.

Additionally, the 2008 Farm Bill increased how much USDA will spend on fresh fruits, vegetables, and nuts to provide nutritious foods for schools and service institutions participating in domestic nutrition-assistance programs. Since USDA's nutrition assistance programs reach 20 percent of Americans, this change will provide readily accessible servings of fruits and vegetables to low-income populations and schools.

Setting official standards for and regulating and monitoring agricultural products enhance their marketing and distribution. For example, USDA establishes the official U.S. standards for grain; conducts official weighing and grain inspection activities; and grades rice, dry beans and peas, processed grain products, and hops. The Department also establishes official U.S. Standards, specifications, and marketing claim descriptions for cotton, dairy products, fruits, vegetables, other specialty crops, meat, poultry products, and eggs.

## Analysis of Results

USDA initiates a process to develop and implement new standards when needed. Measuring the number of standards developed by the Department to meet market needs indicates how USDA is performing in its efforts to support a sound agricultural sector in the economy. The Department accomplished its standards development goal for FY 2008 by publishing quality standards for Llama/Alpaca Meat and Caprine Meat Carcasses and Cuts. These standards were developed in conjunction with the United Nations Economic Commission for Europe (UNECE). UNECE standards are designed to facilitate trade for meat products by an internationally recognized description for use between buyer and seller for meat items traded internationally. They also establish and define a coding system for communication and electronic trade.

USDA issued revised U.S. Standards for Grades of Potatoes, Pineapples, and Tomatoes on the Vine. The Department also proposed revised U.S. Standards for Beef Greens, Carrots, Frozen Okra, and Table Grapes (European or Vinifera Type).

Additionally, USDA developed three quality assessments for grain:

- A rapid, field-based test for *Ochratoxin A*, a mycotoxin which can occur in wheat and barley;
- Official inspection services for Blue Corn; and
- Amendments to the U.S. Standards for Sorghum.

Mycotoxins are produced by various fungi and can endanger humans and animals when consumed. Because many U.S. trading partners have established tolerance levels for mycotoxins, USDA has approved rapid tests for use in its official inspection system to certify toxin levels and facilitate grain trade.

The Department also established official inspection services for blue corn under the U. S. Grain Standards Act (USGSA). USGSA facilitates the marketing of grain, oilseeds, pulses, rice, and related commodities.

USDA revised the United States Standards for Sorghum to amend:

- The definitions of sorghum classes;
- The definition of non-grain sorghum;
- The grade limits for broken kernels and foreign material;
- The grade limits for the subfactor foreign material;
- The total count limit for other material into the standards; and

- The method of certifying test weight.

All changes were made in response to requests from the market. The revised standards will promote the marketing of higher quality sorghum. They offer better descriptions of the types of grain sorghum produced by American farmers.

## PROVIDE RISK MANAGEMENT AND FINANCIAL TOOLS TO FARMERS AND RANCHERS

Snapshot Performance Measure		2006	2007	2008 Target	2008 Actual	2009 Target
2.3.1	Increase the normalized value of risk protection provided to agriculture producers through FCIC-sponsored insurance (\$ Billion)	\$48.7	\$50.7	\$50.7 Met	\$51.0 <sup>1</sup>	\$54.8
<sup>1</sup> The total value in 2008 dollar is \$88 billion. The normalized/real dollar value is \$51.0 billion. Please refer to pages 66-67 of the <a href="#">USDA FY 2008 Performance and Accountability Report</a> for details.						

USDA provides and supports cost-effective means of managing risk for agricultural producers. This assistance is designed to improve the economic stability of agriculture. The Department uses the value of risk protection to measure the effectiveness of risk management. The value of risk protection denotes the amount of insurance used to protect and stabilize the agricultural economy.

The USDA Federal Crop Insurance Program is designed to reduce agricultural producers' economic losses due to natural disasters. This program is available to producers solely through private insurance companies. These companies market and provide full service on policies upon which they share the risk with USDA. A Standard Reinsurance Agreement (SRA) defines the amount of risk they share. The SRA calls for insurance companies to deliver risk-management insurance products to eligible entities under certain terms and conditions. Companies are responsible for all aspects of customer service and guarantee payment of producer premiums to the Federal Crop Insurance Corporation (FCIC). In return, FCIC reinsures the policies and provides premium subsidy to producers. It also reimburses for administrative and operating expenses associated with the companies delivering the insurance products. The number of participating companies totaled 17. There has been a three-fold increase in program liability during the last decade.

USDA also implemented initiatives to increase awareness and service to small and limited resource farmers and ranchers, and other underserved groups and areas. The Department partners with organizations that serve these groups and areas. These partnerships provide technical program assistance and risk-management education on strategies associated with legal, production, marketing, human resources, and labor risks.

## Analysis of Results

Agricultural producers need protection from the multiple perils of weather, disease, wildlife, wildfire and market volatility. For producers who experience severe losses, crop insurance proceeds can prevent mortgage defaults or bankruptcy. USDA continued to ensure that new and innovative alternatives are available that increase program participation.

USDA exceeded its target by \$0.3 billion in FY 2008. During the 2008 crop year, the economic risk of American agricultural producers dropped by approximately \$88.5 billion (liability) through Federal crop insurance coverage. The performance measure illustrates the normalized/real dollar value of FCIC insurance within the agricultural economy. It also shows the amount of potential collateral provided to qualify for commercial loans. Since the 1999 crop year, the normalized value of the liability of the policies has increased by approximately \$19 billion. While there are a number of factors that influence these figures, including market-price increases and inflation, they still represent a major growth in the amount of the agricultural economy insured via FCIC-reinsured policies.

Performance Measure		2006	2007	2008 Target	2008 Actual	2009 Target
2.3.2	Increase percentage of eligible crops with Noninsured Crop Disaster Assistance Payments (NAP) coverage	12.70%	11.76%	11.76% Unmet	7.2%	12.0%

To help maintain agriculture's economic stability, USDA offers programs that reduce the volatility of price and climate fluctuations. Stable commodity supplies and prices assure an affordable supply of food for the Nation. In times of natural disaster, the Department also administers emergency loan and disaster relief programs to return



farms and ranches to their pre-disaster state as quickly as possible. USDA's NAP provides financial assistance to producers of non-insurable crops when natural disasters cause low yields or inventory loss, or prevent planting.

Those eligible for assistance through NAP are landowners, tenants, or sharecroppers who share in the risk of producing an eligible crop. Eligible crops must be non-insurable agricultural commodities for which there is no available crop insurance. By obtaining NAP coverage, producers are able to provide some level of assurance to lending institutions that USDA will assume a portion of the insurance risk.

## Analysis of Results

This measure, like the previous one, shows performance in providing a sound agricultural sector by helping mitigate severe losses. USDA did not meet its target for increasing the percentage of eligible crops with NAP coverage. Participation in the program was lower because prior ad hoc disaster legislation mandated participation in NAP as a precondition for receiving disaster payments. This legislative requirement expired with the 2007 crop; therefore, producers dropped out of the fee-based NAP program, causing an enrollment drop. Also, the NAP measure uses proxy data derived from claims made on the 2007 crop year. NAP payments for the 2007 crop year were roughly half what they had been the prior year due to generally favorable weather conditions. In low loss years, the use of a proxy measure may result in underreporting the actual performance of the program. Additionally, the program has documented increased enrollment for FY 2008. This enrollment should trend upwards in the next fiscal year due a 2008 Farm Bill requirement. This requirement calls for a producer to have a policy or plan of insurance or NAP coverage to maintain eligibility for four of the five new standing disaster programs.

## Strategic Goal 3: Support Increased Economic Opportunities and Improved Quality of Life In Rural America

### EXPAND ECONOMIC OPPORTUNITIES BY USING USDA FINANCIAL RESOURCES TO LEVERAGE PRIVATE SECTOR RESOURCES AND CREATE OPPORTUNITIES FOR GROWTH

Snapshot Performance Measure	2006	2007	2008 Target	2008 Actual	2009 Target
3.1.1 Jobs Created or Saved	71,715	72,710	72,373 Met	70,476	34,715

USDA's programs help finance rural businesses and promote opportunities for economic growth as measured by jobs created and saved.

One of its core missions is to ensure that rural residents can enjoy the same economic opportunities other Americans do. This mission is not a simple one. Credit limitations and other market imperfections can prevent rural economies from creating jobs and generating incomes sufficient to allow rural families to thrive. These factors also deter rural youth from staying in local communities. To address this issue, USDA programs provide capital enhancement tools for rural America. These programs provide affordable access to funding for investment in businesses and economic infrastructure.

The development of an Internet-based economy provides unique opportunities for rural America. A rural broadband infrastructure can ease many limitations on rural business development caused by geographic distance and a small local customer base. Thus, USDA is providing capital to finance access to broadband service for rural communities. Internet access is critical to enable rural businesses to participate in the developing global economy.

The Department's grant programs provide funds to under-resourced rural communities. The funds help improve local infrastructure or expertise to be more attractive to new businesses and maintain appeal to local residents. For instance, while rural improvements are usually funded by special local business tax assessments, such an assessment may not be affordable in marginally viable areas. USDA can help. Frequently, companies looking for a new location need special skill sets, and USDA grants can fund small targeted job-training programs.

Renewable energy projects funded by USDA loans and grants improve the local economy through new jobs at the energy plants, enhanced tax base, and local profits. Recent funds allowed many small business owners to decrease their energy consumption and increasing profit margins.

## Analysis of Results

The number of homeownership opportunities provided fell within the met range for the target. The number of jobs created or saved is linked directly to the amount of total available USDA business program funding, amounts obligated and disbursed to awardees, and local economic conditions. Annual job targets are based on historical program operations, subsidy rates and annual appropriations. The target job numbers assume a level funding horizon and timely allocations of funds without regard to the potential impact of major natural disasters. Annual budget authorities, subsidy rates, and program levels vary annually. Recently, these factors caused a general decline in annual job numbers. The targets, results and usage of funds for USDA programs fulfilled expectations. Any remaining program funds will be carried over into FY 2009 and continue to provide benefits to rural communities in the next fiscal year.

### IMPROVE THE QUALITY OF LIFE THROUGH USDA FINANCING OF QUALITY HOUSING

Performance Measure	2006	2007	2008 Target	2008 Actual	2009 Target
3.2.4 Homeownership opportunities provided <sup>1</sup>	42,172	43,127	46,853 Exceeded	64,134	42,362
<sup>1</sup> Sum of guaranteed and direct loans issued					

Home ownership remains important to strong, vibrant rural communities. Local economies strengthen, crime drops, and incomes rise when families settle. USDA's direct and guaranteed housing programs help fill the gap left by private lenders as affordable home financing—especially in rural and remote areas—has largely disappeared. For FY 2008, loan activity hit record levels. The Department provided more homeownership opportunities for rural families than anytime during the past 25 years. In the early 1980s, the average home financed cost less than \$30,000, compared to more than \$110,000 in 2008.

USDA's housing programs have surpassed the \$100 billion milestone. Since the Department began making and, later, guaranteeing home loans in rural areas, more than 2.5 million families have obtained loans or loan guarantees totaling more than \$104 billion. In an effort to adhere to the Administration's homeownership initiative, nearly 18 percent of the housing program customers are minorities, who comprise a little more than 13 percent of the Nation's rural population. Thus, the performance measure was exceeded.

## Analysis of Results

The performance of the housing programs far exceeded goals. FY 2008 showed a greatly increased demand for the guaranteed program and lower-than-expected average home costs for the direct program. Significant improvements in program delivery through the Guaranteed Underwriting System (GUS) made USDA's Guaranteed Section 502 loans quicker and easier for lenders to obtain. These loans are designed to provide long-term financing at reasonable rates and terms with no down payment.

Equally important, demand increased significantly for one of the few remaining no-down payment, affordable-housing mortgage programs. A record \$6.2 billion in guaranteed loans were provided through USDA's Section 502 Guaranteed Loan Program in FY 2008.

## Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply

### REDUCE THE INCIDENCE OF FOODBORNE ILLNESSES RELATED TO MEAT, POULTRY, AND EGG PRODUCTS IN THE U.S.

Performance Measures		2006	2007	2008 Target		2008 Actual	2009 Target
4.1.1	Reduce overall public exposure to generic <i>Salmonella</i> from broiler carcasses using existing scientific standards (% of Category 1 Industry)	45%	71%	80%	Met	80%	85%
4.1.2	Reduce the overall public exposure to <i>Listeria monocytogenes</i> in ready-to-eat products	0.24%	0.23%	0.27%	Met	0.19%	0.27%

USDA works to reduce foodborne illness through testing, risk assessments, partnership with its stakeholders, and science-based policy decisions.

The Department monitors procedures an establishment uses to prevent the contamination or adulteration of food products. These programs represent USDA's foundation of preventing and controlling contamination of the food supply during slaughter and processing. By placing the responsibility on the slaughter or processing facility to implement systems for monitoring and controlling contamination, the Department can best use its inspection resources to ensure the safety of the Nation's food supply. USDA audits on-site systems and practices, and inspects carcasses and product.

Pathogens USDA watches for include:

- *Salmonella* in broilers; and
- *Listeria monocytogenes* in ready-to-eat (RTE) products.

On-site inspectors collect samples and send them for testing. USDA focuses on the percentage of positive tests from all establishments and measures the industry's performance as a whole to form the basis of the Department's food safety performance measures.

If a positive reading is detected at a plant, USDA performs a series of follow-up activities. If the Department determines that the pathogen's presence threatens public health, it works with the establishment to recall the product. Finally, USDA performs a food safety assessment to determine why contamination occurred and requires the plant to develop an action plan to address any problems.

### Analysis of Results

USDA met the performance target of reducing overall public exposure to generic *Salmonella* from broiler carcasses. The target was 80 percent of broiler establishments. The Department also met its Healthy People 2010 goal for *Salmonella*. Healthy People 2010 is a national effort to promote health and disease prevention.

USDA also met the performance target of decreasing the percentage of RTE meat and poultry products testing positive for *Listeria monocytogenes*. Additionally, the Department exceeded the Healthy People 2010 goal for human illnesses due to *Listeria monocytogenes* in RTE products of 0.24 percent of cases per 100,000.

### REDUCE THE NUMBER AND SEVERITY OF AGRICULTURAL PEST AND DISEASE OUTBREAKS

Performance Measure		2006	2007	2008 Target		2008 Actual	2009 Target
4.2.1	Number of significant introductions of foreign animal diseases or pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans	0	0	0	Met	0	0

USDA provides a secure agricultural production system and healthy food supply for U.S. consumers. This is done by reducing the number and severity of pest and disease outbreaks by:

- Safeguarding animal and plant resources against the introduction of foreign pests and diseases;
- Detecting and quickly responding to new invasive species and emerging agricultural health situations;
- Eradicating or managing existing agricultural pests and diseases and wildlife damage; and
- Developing and applying more effective scientific methods.

## Analysis of Results

USDA met its target related to animal disease outbreaks in FY 2008. The Department developed animal-health monitoring and surveillance systems to ensure success in future years. These two systems, the National Animal Identification System and the Comprehensive Surveillance System, are discussed starting on page 82 at [http://www.ocfo.usda.gov/usdarpt/pdf/005\\_2k8\\_USDA\\_PAR\\_APR.pdf](http://www.ocfo.usda.gov/usdarpt/pdf/005_2k8_USDA_PAR_APR.pdf).

Additionally, USDA has enhanced and maintained the capability of its personnel. These employees respond to any threat of a catastrophic animal disease outbreak. The Department conducted a training-needs analysis to assess their knowledge, skills, and abilities to respond to animal-health emergencies. This analysis will be used to identify gaps to be closed.

## Strategic Goal 5: Improve the Nation's Nutrition and Health

Nutrition is the link between agriculture and the Nation's health. USDA's leadership of the Federal nutrition assistance programs made a healthier diet available for millions of children and low-income families. Additionally, the Department's cutting-edge nutrition promotion efforts harnessed interactive technologies to motivate all Americans to make positive dietary behavioral changes in line with the *Dietary Guidelines for Americans* and the President's HealthierUS initiative. The Guidelines provide authoritative advice about how good dietary habits can promote health and reduce risk for chronic diseases. The HealthierUS initiative's goal is to help Americans live longer, better, and healthier lives.

Key FY 2008 accomplishments include:

- **Promoting Access to the Food Stamp Program (FSP)**—FSP—which was renamed the Supplemental Nutrition Assistance Program through the 2008 Farm Bill—is the Nation's largest nutrition assistance program, serving more than 28 million people monthly. The most current information on the participation rate showed that in 2006, 67 percent of those eligible for FSP participated compared with 54 percent in 2001;
- **Promoting the MyPyramid Food Guidance System**—MyPyramid.gov's Web-based educational tools help Americans assess and personalize their diet and physical activity plans. FY 2008 marked the debut of the MyPyramid Menu Planner. The planner is designed to help individuals and family nutrition "gatekeepers" plan more healthful menus and determine daily, weekly, and monthly consistency with the recommendations of the *Dietary Guidelines for Americans* and the MyPyramid Food Guidance System. Consumers continue to respond enthusiastically to this educational approach. They accessed MyPyramid.gov and used other nutrition-interactive, Web-based tools more than 5 billion times; and
- **Continuing to Ensure That Food Stamp Benefits Are Issued Accurately**—In the most current data available, the FSP payment accuracy rate for FY 2007 reached a record-high 94.4 percent. That number reflects effective partnerships with State administering agencies. It also shows the extensive use of policy options to streamline program administration while improving access for working families.

## ENSURE ACCESS TO NUTRITIOUS FOOD

Performance Measures		2006	2007	2008 Target		2008 Actual	2009 Target
5.1.1	Participation levels for the major Federal nutrition assistance programs (millions per month):						
	• Food Stamp Program Avg. (Monthly)	26.7	26.5	27.8	Met	28.1	28
	• National School Lunch Program Avg. (Daily)	30.1	30.5	31.6	Met	31.5	32.1
	• School Breakfast Program Avg. (Daily)	9.8	10.2	10.8	Met	10.8	11.2
	• WIC Program (Monthly)	8.1	8.3	8.5	Met	8.7	

USDA's commitment to the nutrition assistance programs represents the core of the Nation's effort to improve food security and reduce and prevent hunger. The Department looks to ensure that all eligible Americans who wish to participate can receive program services easily and with dignity and respect. The programs' solid performances in FY 2008 reflect their fundamental strengths. They also demonstrate USDA's efforts to promote access and improve service to its clients in cooperation with State partners.



## Analysis of Results

As program participation is voluntary, projections are based on economic and other factors that affect the likely behavior of eligible populations. An analysis of the most recent information available follows.

**Food Stamp Program**—The program served approximately 28 million participants monthly, an increase of about 7.7 percent from FY 2007. USDA executed a range of efforts to support and encourage food stamp participation. USDA also measures the number of people eligible for the program to determine the rate at which eligible people are participating.

**National School Lunch Program (NSLP)**—Program participation levels reached 31.5 million in FY 2008, up slightly from FY 2007. This number continues the trend of increases in recent years. More than 100,000 schools and residential child-care institutions used NSLP in FY 2008.

**School Breakfast Program (SBP)**—Program participation levels reached 10.8 million in FY 2008, up more than 6 percent from FY 2007. This number continues a trend of increases over the last several years. More than 85,000 institutions used SBP in FY 2008. Trend data also indicate that the proportion of all children enrolled in schools who participate in SBP has risen slowly but steadily in recent years. This growth reflects USDA's continuing efforts to encourage schools to operate the program.

**Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**—Approximately 8.7 million participants received WIC benefits. USDA continued to support and encourage WIC participation, and improve benefits and services by:

- Maintaining the Administration's commitment to ensure adequate funding to support participation by all eligible people who seek services; and
- Completing a historic update to the standards for WIC food benefits – the first major changes to the WIC food packages since 1980. These new packages will be aligned with the 2005 *Dietary Guidelines for Americans* and infant feeding practice guidelines of the American Academy of Pediatrics. These important steps will keep the program optimally aligned to meet today's nutrition needs.

## IMPROVE NUTRITION ASSISTANCE PROGRAM MANAGEMENT AND CUSTOMER SERVICE

Performance Measures	2006	2007	2008 Target	2008 Actual	2009 Target
5.3.1 Increase Food Stamp Payment Accuracy Rate (Baseline: 2001 = 91.3%)	94.0%	94.4%	94.3% Deferred	Not Available	94.4%

USDA is committed to ensuring that nutrition-assistance programs serve those in need at the lowest possible costs. These programs must also offer a high level of customer service. Effectively managing Federal funds for nutrition assistance, including prevention of program error and fraud, is a key component of the President's Management Agenda. The Department focused on maintaining strong performance in the food stamp payment accuracy rate as its key performance goal in this area.

## Analysis of Results

While 2008 data will not be available until June 2009, the food stamp payment accuracy rate reached a record-high 94.4 percent in 2007. The number demonstrates the excellent performance by State agencies in administering the program. This combined rate reflects 4.58 percent in overpayments and 1.06 percent in underpayments for a total of 5.64 in erroneous payments.

Twenty-eight States had a payment-accuracy rate greater than 94 percent, including 12 States with rates topping the 96-percent mark.

## Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment

### PROTECT WATERSHED HEALTH TO ENSURE CLEAN AND ABUNDANT WATER

Performance Measures		2006	2007	2008 Target	2008 Actual	2009 Target
6.1.2	Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (Million acres, cumulative)	1.86	1.95	1.92 Exceeded	2.02	1.86

Healthy watersheds are essential to ensuring clean and abundant water resources. USDA manages national forests and grasslands to protect watersheds. The Department also helps protect the Nation's water resources on private lands. The Conservation Technical Assistance Program (CTA) provides technical assistance supported by science to help people conserve, maintain and improve their natural resources. In 2008, USDA conservation experts assisted people in writing or updating conservation plans on private land covering more than 13.8 million acres of working cropland and 26.8 million acres of grazing and forest lands. Conservation plans provide producers with information on the capability of their soil, condition of their grazing lands and woodlands, irrigation water management, wildlife habitat needs, and measures to improve or protect soil, water and air quality. The Department also assisted agricultural producers with implementing water quality improvement practices on more than 36 million acres. Much of USDA's assistance for water quality is directed towards livestock producers to reduce the risk of livestock waste and nutrients entering waterways.

A third of all ground and surface water is used for agricultural irrigation. USDA helped producers improve their irrigation practices on 3.3 million acres in FY 2008.

USDA also provided producers with financial assistance to help offset the cost of installing riparian and grassland buffers, and other conservation practices. Major programs providing financial assistance for water resources included the Environmental Quality Incentives Program (EQIP) and the Conservation Reserve Program (CRP). The former provided nearly \$560 million in cost share and incentives for water conservation and water quality in FY 2008. EQIP financial assistance is used for capital-intensive, structural practices and the adoption of practices to improve management of working land.

### Analysis of Results

USDA made significant progress in protecting watershed health and ensuring clean and abundant water. The Department exceeded its target for CTA and met its target for EQIP by helping livestock producers apply comprehensive nutrient management plans. These systems include conservation practices implemented for waste collection and storage, nutrient management, land treatment practices for erosion control, and vegetated buffers to protect bodies of water.

Riparian and grass buffers intercept sediment and nutrients before they reach surface waters. To measure performance in achieving its strategy, USDA monitors acreage of agricultural lands to be enrolled as buffer zones in CRP. During the past five years, the number of acres set aside as buffer areas under the CRP program has increased steadily. CRP exceeded its performance target of 1.92 million acres for the measure by more than 100,000 acres. For FY 2008, producers have set aside approximately 2.02 million acres as CRP buffer areas.

## ENHANCE SOIL QUALITY TO MAINTAIN PRODUCTIVE CROPLAND BASE

Performance Measures		2006	2007	2008 Target		2008 Actual	2009 Target
6.2.1	Cropland with conservation applied to improve soil quality (millions of acres)						
	• Conservation Technical Assistance	6.4	7.3	7.0	Exceeded	8.3	6.5
	• Environmental Quality Incentives	3.4	5.3	5.5	Met	5.6	5.7
	• Conservation Security	1.4	0.14	1.4	Met	1.3	1.4

High-quality soils support the efficient production of crops for food, fiber and energy. Proper soil management maximizes agricultural production and improves the environment. USDA helps producers install conservation practices and systems that meet established technical standards and specifications. In FY 2008, the Department assisted in applying conservation practices on 16 million acres of cropland. USDA also provides financial assistance to encourage producers to adopt land treatment practices proven to provide significant public benefits. In FY 2008, financial assistance for practices applied primarily to address soil quality issues included \$187 million in EQIP cost shares or incentives for adopting structural measures or management practices to reduce erosion and protect cropland.

The voluntary Conservation Security Program (CSP) provides financial and technical assistance to promote conservation on agricultural lands. CSP supports natural resource stewardship by identifying and rewarding those farmers and ranchers meeting the highest standards of conservation and creating incentives for other producers to meet those same standards.

USDA mapped or updated 35.2 million acres of soils, including Federal lands. Soil surveys provide information on the capabilities and conservation-treatment needs of soils. The Department provides the scientific expertise to enable a uniform system of mapping and assessing soil across the Nation. Historically, USDA has produced soil surveys along geo-political boundaries. Future efforts will be directed toward developing seamless national soil survey coverage. The soil survey program is initiating an effort to collect soil property data that vary with land use and management. These data will better enable planners to assess soil quality for a given land use and management level. This will allow conservation practices to be tailored to address the greatest soil quality concerns and more accurately reflect the operator's conditions.

### Analysis of Results

USDA exceeded its target for helping producers apply conservation practices on cropland for CTA and met its EQIP target. Farmers frequently change crops, equipment, and management practices. Thus, they need help in adjusting conservation systems, even on land well-protected under the previous system. USDA also met its CSP targets for enhanced soil management.

## PROTECT FORESTS AND GRAZING LANDS

Performance Measures		2006	2007	2008 Target	2008 Actual	2009 Target
6.3.1	Number of acres of hazardous fuel treated that are in the wildland urban interface (in thousands)	1,045	1,139	1,110 Met	1,110	995

Forests and grasslands comprise nearly 55 percent of the Nation's total land area. Forests and grazing lands provide timber and livestock forage, and contribute to the health and well-being of the Nation's soil, water, air and wildlife. USDA looks to reduce fire danger, minimize the threat of invasive species, and help producers apply conservation practices that reduce erosion and improve water quality.

The Department manages more than 192 million acres of national forests and grasslands. It also acts as a technical-assistance provider on non-Federal forests and grasslands. On Federal lands, USDA protects and sustainably manages national forests and grasslands so they support multiple uses. Using technical and financial assistance, the Department also helps landowners and operators address the risks on privately owned land using conservation practices. These practices include prescribed grazing, integrated pest management, brush management, forest stand improvement, and tree planting. USDA assisted producers in applying conservation practices on 31.4 million acres of non-Federal grazing lands and forest.

Approximately a million acres of national forestlands burned during the 2008 fire season. Nationwide, wildfires affected approximately 5 million acres of public and private land. USDA and the U.S. Department of the Interior (DOI) are using tools and authority provided by the President's Healthy Forests Initiative and the Healthy Forests Restoration Act of 2003 to reduce fire hazards and restore forests and grasslands. The USDA-DOI projects consist largely of removing excess vegetation and prescribed burning (collectively, "hazardous fuel reduction") to reduce the risk from wildfires.

Since the inception of the National Fire Plan in 2001, USDA has treated more than 16 million acres to remove excess vegetation through a combination of hazardous fuels reduction funds and other vegetation management program efforts. Unplanned ignitions, or those that occur through such natural causes as lightning, are also used as an ad-hoc tool to manage hazardous fuels. Natural fire reduces fuels, recycles nutrients and provides a host of other functions necessary to maintain healthy ecosystems. In 2008, management objectives were achieved on approximately 170,000 acres using naturally ignited fires.

## Analysis of Results

USDA met or exceeded all of its performance goals for protecting the health of the Nation's forests and grasslands against the risk of fire. USDA exceeded its 2008 CTA and EQIP targets for conservation applied to protect and enhance non-Federal grazing land and forest land. Nationwide drought conditions, expansion of the wildland urban interface, and densely vegetated forests increase the chances of more severe and damaging wildfires.

Approximately 56 percent of all acres managed by USDA have missed 2 or more expected fire cycles. Many acres have an elevated wildland fire risk.

## PROTECT AND ENHANCE WILDLIFE HABITAT TO BENEFIT DESIRED, AT-RISK AND DECLINING SPECIES

Performance Measure		2006	2007	2008 Target		2008 Actual	2009 Target
6.4.1	Wetlands created, restored or enhanced (acres)						
	• Conservation Technical Assistance	65,345	62,093	51,300	Exceeded	72,806	51,300
	• Wetlands Reserve Program	181,979	149,326	100,000	Exceeded	128,860	125,000
	• Conservation Reserve Program	61,279	68,834	50,000	Exceeded	80,103	60,000

USDA addresses the needs of wildlife in managing national forests and grasslands. The Department also provides technical and financial assistance to landowners and managers to improve habitat on private lands. On non-Federal land, USDA conservationists provide on-site assistance to assess the quality of wildlife habitat. They also develop management plans that consider wildlife needs for shelter, nesting areas, and access to water and food during critical periods. These plans are designed to sustain and enhance wildlife habitat.

The Department helped individuals and groups apply conservation management to maintain or improve habitat on 13.5 million acres of non-Federal land. The land treated included 13.1 million acres of upland wildlife habitat and nearly 400,000 acres of wetland wildlife habitat. Several USDA programs encourage participants to enter into contracts to improve and restore grassland, rangeland, forest ecosystems, wetlands, and adjacent upland buffers. Easement acquisitions and agreements help ensure the long term viability of these habitat areas. These actions are designed to create productive, diverse, and resilient habitat.

## Analysis of Results

USDA exceeded its targets for the creation, restoration or enhancement of wetlands. This performance measure set targets for three USDA programs: CTA, the Wetlands Reserve Program (WRP) and CRP. The performance measure for wetlands includes land on which USDA provided technical and/or financial assistance in FY 2008.

CTA provides technical assistance supported by science-based technology and tools to help people conserve, maintain and improve their natural resources. On wetlands where USDA provided technical assistance through CTA, no financial assistance was provided by Department programs. In some cases, financial assistance may have been provided through non-USDA sources. WRP is a voluntary conservation program that offers landowners the means and opportunity to protect, restore and enhance wetlands on their property. WRP participants sign an easement or agreement with USDA.



The CRP performance target of 50,000 acres was exceeded by 30,103 acres, a 60-percent increase over the projected number of acres. This was due to the adoption of several initiatives, including the 100,000-acre Duck Nesting Habitat Initiative, the 500,000-acre Bottomland Hardwood Timber Initiative and the 250,000-acre non-floodplain Wetland Restoration Initiative. These restored wetlands and buffers have increased prime wildlife habitat and water storage capacity. They have also led to a net increase in wetland acres on agriculture land.

In April, the Council on Environmental Quality (CEQ) announced that the goals established in the President's Wetland Initiative had been achieved a full year ahead of schedule. WRP, CRP and CTA served as the primary USDA contributors to this effort. They have restored, created and enhanced more than 1.3 million acres of wetlands, and protected more than 400,000 acres since Earth Day, 2004. CEQ coordinates Federal environmental efforts and works closely with agencies and other White House offices in developing environmental policies and initiatives.

USDA uses the acreage of wetlands created, restored or enhanced as an indicator of progress toward improved habitat for many species. The Department is participating in cooperative efforts to quantify the results of its conservation practices for wildlife habitat. The results will be used to manage agricultural landscapes for environmental quality.

Numerous species have benefitted from USDA's projects. A recent study by the Fish and Wildlife Service (FWS) examined the effect of CRP in North Dakota, South Dakota and northeastern Montana. FWS estimated that the duck population grew by an average of 2 million annually between 1994 and 2004. This number is a 30-percent increase compared to the same area without CRP. The program is also credited with enhancing the population of several bird species considered endangered. The Washington Department of Natural Resources found that a severe decline in an eastern Washington sage grouse population has been reversed in an area with substantial CRP enrollment. A *Journal of Wildlife Management* study credits CRP with a sharp rebound in Henslow's Sparrow populations.